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Castle & Cooke, Inc.



Annual Report for the Year Ending April 30, 1963

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Our new corporate symbol, appearing for the first time on the cover of this report, represents the two basic elements of sun and water. The fine consumer products of Castle & Cooke have these two basic requirements in common; sunshine to help grow our fruits, sugar, nuts and other foods; water to irrigate them, and the sea and rivers the sources of our seafoods. The new corporate symbol will be applied in the coming year on stationery, signs and many other uses.

The Year in Brief

Sales. Consolidated revenues for Castle & Cooke, Inc., were \$166,494, 373, compared with \$155,328,717 the year before.

Earnings. Consolidated net earnings for the 1962-63 year were \$2,813,392, or \$1.22 per share. In the prior year they were \$4,592,392, or \$1.96 per share.

Dole Corporation. Sales set a new record but earnings were below those of 1961-62 because of distress pricing on competitive mainland fruits.

Bumble Bee Seafoods, Inc. Sales set another record but earnings, though satisfactory, were below the all-time record set the year before.

Sugar Production. World sugar prices advanced to the highest level in many years, but adverse weather conditions in the spring of 1963 prevented harvesting at two affiliated plantations of cane scheduled in the 1962-63 year.

Land Development. Oceanic Properties, Inc., was further delayed in receiving necessary government approvals to proceed with its satellite city development near Honolulu, but progress was made in beginning development projects in California.

Dividends. The quarterly cash rate was reduced at the beginning of the 1962-63 year from 35 cents to 30 cents. Although per-share earnings were slightly above the dividend, present plans are to continue the current rate.



Chief executives of Castle & Cooke are A. G. Budge, Chairman of the Board (left), and Malcolm MacNaughton, President of Castle & Cooke and Dole Corporation.

To Our Shareholders



Bumble Bee Seafoods executives John S. McGowan, President (left), and Thomas F. Sandoz, Board Chairman and Chief Executive Officer.

Consolidated results of Castle & Cooke, Inc., and its subsidiaries were not satisfactory for the fiscal year ended April 30, 1963, and were not representative of the earning power inherent in this Company.

Consolidated revenues for the fiscal year were \$166,494,373, an increase of 7.1 per cent over revenues of \$155,328,717 in the prior fiscal year.

Consolidated net income was \$2,813,392, or \$1.22 per share of capital stock, in the 1962-63 year, compared with \$4,592,392, or \$1.96 per share, the year before. In addition to the 1961-62 earnings, there was a net non-recurring capital gain of \$16,486,483 from the liquidation of the Honolulu Oil Corporation.

Several factors were primarily responsible for the lower results of the past year:

Chronic over-production and resulting distress pricing of important California canned products, notably peaches, fruit cocktail and tomato products, severely penalized margins on Dole Corporation's mainland products, and weakened prices on Dole solid-pack pineapple during much of the year. Although total pineapple industry sales were down due to the competitive pressure from peaches and fruit cocktail, aggressive marketing programs by Dole increased the Dole label's share of the total pineapple market to the highest point in 15 years.

Bumble Bee Seafoods, Inc., had a satisfactory year, with sales again setting a record for the seventh consecutive year, but earnings were below the record set the previous year because of higher raw fish costs and lower selling prices for salmon and tuna.

Sugar prices advanced sharply during the lat-



Executives of Oceanic Properties, Inc., Donald D. Rietow, Vice President and General Manager (left), and Frederick Simpich Jr., President.

ter part of the fiscal year and would have enhanced the earnings of the Ewa and Waialua plantations, but the wettest spring in many years on the Island of Oahu prevented the harvesting of mature cane scheduled for the 1962-63 year. The cane was not damaged by the weather, however, and is being harvested in the new fiscal year while high sugar prices continue to prevail. Paradoxically, results of our Kohala Sugar Company continued to be affected adversely by the persistent drought conditions of the past two years on the Island of Hawaii.

Early in the fiscal year, Matson Navigation Company transferred its Honolulu freight agency functions from Castle & Cooke to its own office. The resulting loss of income to Castle & Cooke was only partially offset by the resumption of cash dividends from Matson during the year.

Sales of the Royal Hawaiian Macadamia Nut Company were 44 per cent ahead of the prior year but, despite this significant progress, production had not increased sufficiently to permit a profitable operation. We hope that Royal Hawaiian will show a profit in the new fiscal year.

Oceanic Properties, Inc., our land development and management subsidiary, continued to operate at a loss. Although temporarily frustrated by state zoning problems in its plans to develop a satellite city outside Honolulu, Oceanic has made progress in inaugurating other land development projects in Hawaii and California.

Details on the foregoing developments are reported at greater length in the following Operations section of this report.

Due to the lower results indicated for 1962-



Castle & Cooke officers W. M. Bush, Executive Vice President (center), and Vice Presidents Howard Hubbard, Henry Clark Jr., John F. Murphy, John Scott.

63, the Directors reduced the quarterly cash dividend in the first quarter of the year just completed from 35 cents to 30 cents. Per-share earnings only slightly exceeded the dividend, but because of the more favorable outlook for the 1963-64 year, it is the present intention of the Directors to maintain the dividend at its current rate.

Despite the difficulties of the past year, Castle & Cooke and its subsidiaries have made progress, both in the areas of corporate expansion and in reduction of operating costs.

The parent company has made potentially profitable investments in the Philippines and Thailand. Dole is expanding its production into the Philippines and Italy. Among Castle & Cooke's investments, Matson has resumed cash dividends and the First Insurance Company of Hawaii, in which we had a 41 per cent interest, has been acquired on an exchange-of-shares basis with the Great American Insurance Company of New York, one of the nation's largest general underwriting firms.

Although the 1963-64 year is young, indications of better marketing conditions for many of our products, and the expectation of higher sugar prices prevailing during the year, lead us to anticipate a more favorable 1963-64.

We wish to thank all the employees of the Company and its subsidiaries for their outstanding and loyal performance, and the fishermen and growers, who supply many of our raw products, for their continued support.

A. G. Budge, Chairman of the Board
Malcolm MacNaughton, President

Honolulu, Hawaii, July 12, 1963

Castle & Cooke Operations

The following section of the Annual Report covers in greater detail the developments summarized in the Letter to Shareholders.

Dole Corporation

Dole's total sales in the 1962-63 year were the highest in the history of this wholly-owned subsidiary of Castle & Cooke, but earnings were severely penalized by unfavorable marketing conditions. The marketing situation showed a slight improvement late in the fiscal year and continued into the new fiscal year, but this came too late to offset earlier adverse conditions. Dole earnings were below the prior year's.

Over-abundance of many important canned products again plagued the Pacific Coast canning industry. Packs of Cling peaches, fruit cocktail, pears and tomato products were the highest on record, and these packs were moved to consumers only by distress pricing. Since all of these products are produced at Dole's mainland canneries, these units operated at a loss.

These severe marketing conditions also caused a weakening in canned pineapple prices during a part of the year and a reduced promotional effort by grocers on pineapple in favor of the lower-priced, competitive fruits. Dole countered these conditions with aggressive selling, advertising and promotional programs with the result that, although total pineapple industry sales were off slightly for the year, the Dole brand's share of the pineapple market was the highest in 15 years.

Dole's pineapple juice and drink products faced similarly keen competition from citrus

juices during a substantial part of the year. However, the Florida freeze of December, 1962, seriously damaged the crop and the orchards themselves, resulting in a shortage of citrus juices and correspondingly high prices for them. In the latter months of the fiscal year, sales volume on Dole pineapple juice products increase substantially and prices were raised from their depressed levels.

Market Conditions Show Improvement

First indications in the 1963-64 year are for a somewhat improved marketing climate for Dole's products. Although the peach crop again may be a bumper one, unfavorable spring weather has reduced the tomato and pear crops to more manageable size. The momentum generated by the Company's marketing programs is continuing into the new year and prices are firmer. The shortage of competing citrus juices should continue through the fiscal year, and pineapple juice products will continue to be marketed aggressively.

Dole Production Expands

For the past several years, Dole has been intensively investigating opportunities for pineapple production in lower-cost areas of the world. Early in the new fiscal year, an agreement was concluded with the Philippine government for long-term leases on lands on the Island of Mindanao for plantation, cannery and related production facilities.

The purpose of this project is three-fold: To enable Dole to meet low-priced pineapple competition in overseas markets, principally



1. From the kitchen of Dole's "Patricia Collier" (Miss Louise Hartman) come new pineapple recipes, use suggestions and photographs for advertising. 2. This view shows the typical terrain on the Island of Mindanao where Dole Corp. will soon establish a major pineapple operation, complete with modern community, to supplement its Hawaiian production. 3. No hands touch Dole pineapple products while being processed, so it is a full-time job to inspect and repair rubber gloves used by cannery employees. Dole buys 3,000 to 4,000 new pairs of gloves each year. 4. New mechanical planting machine plants increasing proportion of Dole's Hawaiian plantation fields.

Western Europe; to permit Dole to open new pineapple markets in lower-income areas of the world, and to reduce the Company's average production costs.

Dole Philippines, Inc., the new operating company for this project, will finance the new operation with long-term loans and equity participation by Dole and Philippine investors. The first plantings will begin in the fall of 1963.

In announcing the Philippine project, Dole emphasized that it does not foreshadow a reduction in Hawaiian production, and Dole's \$10-million plant modernization program in Honolulu is continuing.

An important consideration to Dole in proceeding with this project has been the stability and progressiveness of the Government of the Philippines and the favorable climate created by public officials for an investment of this kind.

Dole has also established production facilities within the rapidly-growing European Common Market through acquisition of a majority ownership in canneries in Northern Italy. These plants currently produce tomato products, fruits, vegetables and other items and plans call for expansion into a wider variety of grocery products.

Dole Management Changes

The resignation of Herbert C. Cornuelle as President of Dole Corporation, effective May 1, 1963, was accepted with regret. Mr. Cornuelle leaves to accept an executive position with the United Fruit Company. Malcolm Mac-

Naughton has assumed the presidency of Dole while continuing as President of Castle & Cooke.

Lawrence H. Hogue, Vice President in charge of the Salem Division, was elected Vice President and Controller at San Jose.

Bumble Bee Seafoods, Inc.

Bumble Bee Seafoods' earnings for the year were well below the record level of the previous fiscal year, but were still the fourth highest in the Company's 63-year history. For the seventh straight year, sales exceeded those of the previous fiscal period.

The decline in net earnings is attributable both to higher raw fish costs prevailing during the year and to lower selling prices of canned salmon and tuna late in the year.

The increase in raw tuna prices resulted from intensified competition for available supplies by European and Japanese processors, as well as domestic packers. The higher costs of salmon production stemmed from the failure of anticipated fish runs in some areas, and the abnormally small size of pink salmon caught in record numbers in central Alaska. Salmon have been purchased by the fish, and the greater number of fish required per case of product severely penalized all processors in the area.

Notwithstanding these higher costs, larger industry-wide inventories of canned products resulted in highly competitive marketing conditions for both salmon and tuna.



1. Latest expansion of Bumble Bee Seafoods' processing operations is its plant at Cambridge, Md. Tuna caught in Atlantic waters are processed here, only a short distance from major Bumble Bee markets on Atlantic seaboard. 2. Clad in their traditional blue gowns and straw hats, fishermen bring in a big haul of tuna in Hawaiian waters to supply Bumble Bee's Honolulu processing plant. 3. Near the mouth of the Columbia River, the fishing fleet which supplies Bumble Bee's main plant at Astoria awaits the beginning of the fishing season. 4. Bumble Bee prides itself upon the scrupulously hygienic conditions under which all of its seafood products are processed.

Seafood Production Sets Record

The Company's production of canned seafoods increased 10 per cent over the prior year and set an all-time record.

Receipts of albacore from the fishery off the coasts of northern California, Oregon and Washington were the second highest on record. The production of tuna in Hawaiian waters was above the average catch recorded during the last 10 years.

First year operations of the Company's subsidiary, Maryland Tuna Corporation, enabled participation in the Atlantic tuna fishery on an expanded scale. Production from this facility was satisfactory from the aspects of plant efficiency and product quality, but earnings were adversely affected by non-recurring initial expenses.

As predicted last year, the red salmon catches in Bristol Bay were not equal to those of the big runs of 1960 and 1961. However, excellent runs of pink and chum salmon were experienced in central and southeastern Alaska, with the single exception of Excursion Inlet. The Company's combined share from all operations provided it with its second largest pack of Alaska salmon.

Columbia River salmon production for 1962 was improved over the prior year, but the catch of Puget Sound salmon was limited. Predictions by responsible research agencies indicate satisfactory salmon runs in 1963 in most areas of Alaska and Puget Sound.

Canned shrimp from the North Pacific is currently being offered for the first time under the Bumble Bee brand, and initial reaction to

this exceptionally fresh pack of shrimp is encouraging.

In March, T. F. Sandoz was elected Chairman of the Board and Chief Executive Officer, and was succeeded as President by John S. McGowan. J. D. Hendrickson was elected Senior Vice President. C. Howard Lane, who has served as Board Chairman, resigned that office but continues as a Director.

Oceanic Properties, Inc.

Oceanic Properties, the newly-organized land development and management subsidiary, operated at a deficit in the past fiscal year, pending the beginning of marketing activities on development projects now being planned.

The Company has signed an agreement to purchase a 5,000-acre ranch on the Sonoma County coast of California, north of San Francisco, at a price of approximately \$2,700,000, to be paid over a period of years.

Running along 14 miles of coastline south of the colorful Mendocino Coast and the Gualala River and rising gently to a wooded ridge, the ranch is capable of being developed, relatively inexpensively, in its entirety.

Market studies indicate an active demand for weekend, vacation and country homes in this area, principally from the Bay and Central Valley districts.

Our planning for this development envisions deed restrictions to preserve natural beauty and ocean views for all homesites, with community use of beaches, riding trails and open spaces. Marketing and master plans are in preparation

Locations of Castle



& Cooke Operations





1. Although the beginning of construction is delayed temporarily on Waipio, Oceanic Properties' "new town" on Oahu, detailed planning is continuing by a team of leading planners and architects. Here, Lawrence Halprin, noted landscape architect, discusses the layout of a Waipio neighborhood with Oceanic executives and members of the planning team. 2. The magnificent, 5,000-acre Del Mar Ranch on the Sonoma County coast of California is being purchased by Oceanic for carefully planned development into high quality sites for "second homes." The ranch has a coastline of 14 miles and is characterized by gently sloping meadows interspersed by rows of cypress trees.

and sales are scheduled to begin in early 1964.

In partnership with W. R. Staats, investment bankers, and Metropolitan Realty Company, both of Los Angeles, Oceanic has purchased two office buildings on Wilshire Boulevard adjoining the Good Samaritan Hospital. One of the buildings will be demolished and replaced with a 12-story medical building for use by doctors on the hospital staff. Present indications are that the building will be well received.

Also in Southern California, near the City of Orange, Oceanic has optioned a promising 20-acre corner for development of a shopping center in one of the fastest-growing districts of the Pacific Coast.

Honolulu Project Delays

In Hawaii, Oceanic has concentrated on the tedious problem of gaining necessary approvals for its new satellite city on surplus lands outside Honolulu. After approval by the City Planning Commission and City Council, it was necessary to present the project to a new State Land Use Commission, responsible for zoning all lands to urban, agricultural or commercial use.

The first of such commissions failed to win Senate confirmation, so could not act. A second commission gave preliminary approval, but due to a change in state administration, it was replaced by yet a third commission which has yet to function.

There is no substantial opposition to this project, and in view of the many governmental approvals already won, there seems to be no

reason why the new commission should reverse prior actions.

The \$12,500,000 Queen Emma Gardens redevelopment project in downtown Honolulu is under construction, with the first building ready for occupancy this fall and the entire 600-apartment project by mid-1964.

Elsewhere, Oceanic has proposed a joint venture to reconstruct civilian communities destroyed in last year's typhoon on Guam.

Mililani Memorial Park saw a decline in rate of sales, but continues to show a satisfactory return on investment. The Blackhawk Ranch, near San Francisco, posted improved returns.

Sugar Operations

The 1962-63 year saw a dramatic increase in the price of world raw sugar to the highest level in many years. The increase was caused by a world shortage of sugar due primarily to the sharp reduction in Cuban production and two successive years of poor sugar beet crops in Europe. While there has been no shortage of sugar in the U.S. domestic market, the world commodity sugar price has reflected this short supply situation.

Higher prices will undoubtedly stimulate the planting of greater acreages of sugar beets in the United States and Europe, but we believe that sugar prices will continue to remain relatively high during the 1963-64 year. Barring unfavorable weather conditions or interruptions in production, our sugar plantations should show materially enhanced earnings.

Our three plantations, Ewa, Waialua and



1. W. E. Newcomb (left), Great American Insurance Co. president, and E. A. O'Neill, First Insurance Co. of Hawaii president, complete acquisition by Great American of First Insurance, in which Castle & Cooke has substantial investment. 2. New overhead irrigation system alleviates drought effects at Kohala sugar plantation. 3. Reynolds Metals' ship "Inger" carries record 23,500 tons of Hawaiian sugar to Texas refinery. 4. No arsonist, this sugar worker burns cane before harvesting to remove unwanted leaves. 5. A new macadamia nut crop begins when bees pollinate delicate blossoms. 6. Castle & Cooke Terminals unloads containers from special Matson container vessel in Honolulu.

Kohala, benefited somewhat from the higher sugar prices in the year ended April 30, 1963, but not nearly as much as had been projected. During the first four months of calendar 1963 the Island of Oahu had considerably more rain than normally falls in an entire year. Wet conditions made it impossible to harvest a substantial amount of mature cane at Ewa and Waialua which had been scheduled to come off before the end of the fiscal year. This cane was not lost, however, but has since been harvested in the new fiscal year while prices continue high.

Meanwhile, production at Kohala, on the Island of Hawaii, continued to suffer from the effects of the droughts of 1961 and 1962 that have curtailed sugar production throughout this normally rainy island. Kohala showed a small loss for the year, while Ewa and Waialua reported reasonably good earnings.

At all three plantations, substantial progress was made in increasing efficiency.

Ewa and Waialua each acquired an additional 20 per cent of the outstanding stock of Oahu Transport Company, Ltd., a common carrier which also hauls sugar and molasses by truck from the plantation mills to the Honolulu docks. Each plantation company consequently holds a 42½ per cent interest in the company.

In April, 1963, the Hawaiian sugar companies signed a new two-year contract with the International Longshoremen's & Warehousemen's Union, providing substantial increases in wages and benefits.

Macadamia Nuts

The Royal Hawaiian Macadamia Nut Company showed good progress during the year, but reported a modest loss. As this Company increases production and expands distribution, we expect it to get on a profitable footing, possibly during the new fiscal year.

The 1962 nut crop increased 76 per cent over the prior year's harvest, permitting further expansion of distribution throughout the United States and some foreign countries, giving the Company representation in more than 35 market areas. Sales of packaged nuts increased 52 per cent over the prior fiscal year.

Severe winds, the worst since 1912, struck the macadamia orchard on the Island of Hawaii in January, 1963, toppling a substantial number of trees. The majority of these trees were righted and those lost were insured.

Mechanical harvesting techniques were bettered at the orchard, and a new electric eye sorting machine improved the quality of inspection of nut kernels.

Supplementing our glass jar packaging, a new six-ounce can was successfully introduced in the Hawaiian market and its distribution is now being expanded to mainland markets.

Shipping and Stevedoring

As previously reported to the shareholders, Matson Navigation Company transferred its Honolulu freight agency functions from Castle & Cooke to its own Honolulu office, resulting in loss of revenues to Castle & Cooke.

Two strikes by offshore maritime unions during the year disrupted the flow of goods handled by Castle & Cooke Terminals through the Port of Honolulu. The resulting uneven work load and port congestion before and after each strike adversely affected operating efficiencies.

The movement of cargo through Honolulu in containers continued to expand during the year and additional containers were added to the system by Matson. Cargo moving by conventional means diminished as more and more shippers used the more efficient handling and shipping offered by containers, unitized loads and increased mechanization.

Hawaiian Equipment Co.

A major distributor of trucks, tractors and other types of agricultural and industrial machinery throughout the Islands, Hawaiian Equipment Company reported higher earnings during the fiscal year, despite highly competitive marketing conditions and a decline in the construction industry. New product lines were added to increase volume and broaden service.

First Insurance Company

The shareholders of First Insurance Company of Hawaii, in which Castle & Cooke has held a 41 per cent interest, approved in June, 1963, its acquisition by Great American Insurance Company of New York, one of the nation's largest general underwriting firms.

Acquisition was based upon an exchange of one and one-quarter shares of Great American stock for each share of First Insurance. Hawaii's

oldest domestic insurance company, First will continue to maintain its corporate identity and personnel.

Castle & Cooke favored this acquisition because it will strengthen First and permit it to write and retain larger accounts. From an investment viewpoint, Great American stock gives us greater diversification and a higher dividend yield.

Matson Navigation Company

After showing a consolidated loss in its 1961 year of \$1,067,137 and suspending dividends, Matson Navigation Company, in which Castle & Cooke has a 24 per cent interest, reported gratifying consolidated earnings in 1962 of \$2,249,020.

Cash dividends were resumed in December, 1962, with a payment of 70 cents per share. Another cash dividend of \$1.50 per share was paid in June, 1963.

Matson's outlook for its 1963 year is for a further improvement in earnings over the prior year.

Overseas Investments

Castle & Cooke has acquired a 55 per cent interest in the Thai-American Steel Works Co., Ltd., of Bangkok, which will manufacture galvanized steel pipe and other articles primarily for domestic consumption in Thailand.

The Company has also taken a small participation in the House of Investments, Inc., a venture capital company doing business in the Philippines for the past several years.

Financial Review

Consolidated Subsidiaries of Castle & Cooke, Inc.

	Shares Outstanding	Number of Shares Held	% of Total Outstanding
Blackhawk Ranch Co.	15,000	15,000	100.00
Bumble Bee Seafoods, Inc.	20,000	20,000	100.00
Castle & Cooke Investments, Limited	75,000	75,000	100.00
Castle & Cooke Terminals, Limited	45,000	45,000	100.00
Dole Corporation	150,000	150,000	100.00
Ewa Plantation Company	191,442	109,192	57.04
Hawaiian Equipment Company, Limited	150,000	150,000	100.00
Honouliuli Company, Limited	18,000	18,000	100.00
Kohala Ditch Company, Limited	5,000	5,000	100.00
Kohala Sugar Company	250,000	249,676	99.87
Maryland Tuna Corp.	15,000	9,000	60.00
Mililani Memorial Park, Inc.	25,000	25,000	100.00
Oceanic Properties, Inc.	100	100	100.00
Oceanic Properties of California	3,035	3,035	100.00
Plantation Housing, Limited	5	5	100.00
Royal Hawaiian Macadamia Nut Company, Inc.	100	100	100.00
Valley Memorial Gardens, Inc.	1,000	1,000	100.00
Waialua Agricultural Company, Limited	471,916	300,000	63.57

Investments of Castle & Cooke, Inc. and Subsidiaries

	Shares Outstanding	Number of Shares Held	% of Total Outstanding
Bay & River Navigation Company	17,000	2,925	17.21
Bishop Trust Company, Limited	148,535	4,774	3.21
California and Hawaiian Sugar Refining Corporation, Limited	151,785	23,535	15.51
CWC Fisheries, Inc.	100	50	50.00
Euramerica Foods, S.P.A.	305,000	213,500	70.00
Excursion Inlet Packing Co.	6,000	2,000	33.33
First Insurance Company of Hawaii, Limited	146,507	60,000	40.95
Hawaiian Development Co., Ltd.	36,090	5,598	15.51
Hawaiian Hauling Service, Ltd.	12,000	4,000	33.33
Hawaiian-Philippine Company (Pfd.)	259,987	59,187	22.77
House of Investments, Inc.	668,486	84,400	12.63
Kawaihae Terminals, Inc.	20,000	11,000	55.00
Lake Union Terminals, Inc.	50,000	25,000	50.00
Matson Navigation Company	872,022	212,320	24.18
Oahu Transport Company, Limited	90,000	76,500	85.00
Queen Emma Gardens Redevelopment Corp.	500,000	200,000	40.00

Castle & Cooke, Inc.

Statement of Consolidated Financial Condition

Current Assets:

Cash	
Marketable securities — at cost less amortization	
Accounts receivable, net of reserves — 1963, \$333,426; 1962, \$354,030	
Inventories	
Prepaid expenses	
Total	

April 30, 1963	April 30, 1962
\$ 4,975,620	\$ 7,777,168
681,698	4,547,920
22,223,523	20,680,645
40,943,953	39,352,852
2,376,893	2,287,107
<u>71,201,687</u>	<u>74,645,692</u>

Deduct Current Liabilities:

Notes payable, including current instalments on long-term debt	
Accounts payable	
Income taxes payable	
Total	

9,857,580	2,873,845
13,149,446	13,650,845
2,030,307	5,616,699
<u>25,037,333</u>	<u>22,141,389</u>

Working Capital

46,164,354	52,504,303
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Growing Crops — At static values

5,300,000	5,300,000
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Investments

5,997,803	4,144,895
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California and Hawaiian Sugar Refining Corp., Ltd. — Cost of equity

2,392,053	2,392,053
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Land — At cost

17,499,726	17,631,849
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Buildings, Machinery, and Equipment — At cost

(less accumulated depreciation — 1963, \$66,342,865; 1962, \$63,252,724) ..

39,977,288	39,502,674
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Non-Current Receivables and Other Assets —

Net of reserves — 1963, \$968,601; 1962, \$1,030,250

5,572,426	4,572,145
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 Total

<u>122,903,650</u>	<u>126,047,919</u>
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Deduct:

Long-term debt	
Deferred income and other credits	
Deferred income taxes	
Minority interests	

9,351,991	10,232,159
538,303	532,849
2,203,775	1,394,043
8,633,603	11,049,808
<u>20,727,672</u>	<u>23,208,859</u>

Net Assets, Representing Stockholders' Equity

<u>\$102,175,978</u>	<u>\$102,839,060</u>
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Stockholders' Equity:

Capital stock, \$10 par value:	
Authorized, 5,000,000 shares	
Issued, 1963, 2,348,807 shares; 1962, 2,344,739 shares	
Capital in excess of par value	
Capital from acquisition of subsidiaries' stock	
Retained earnings	

\$ 23,488,070	\$ 23,447,390
1,462,705	1,427,233
16,272,836	15,783,855
62,235,454	62,198,413
<u>103,459,065</u>	<u>102,856,891</u>

Less treasury stock, at cost — 1963, 46,299 shares; 1962, 417 shares

1,283,087	17,831
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Stockholders' Equity

<u>\$102,175,978</u>	<u>\$102,839,060</u>
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See notes to financial statements

Castle & Cooke, Inc.

Statement of Consolidated Income and Retained Earnings

Revenues:

Food products, except sugar	
Sugar	
Merchandising	
Service operations, including rentals	
Gain on disposal of capital assets	
Dividends, interest, and other revenues	
Total	

Year Ended April 30, 1963	Year Ended April 30, 1962
\$122,983,399	\$112,551,602
22,824,604	21,592,908
7,288,023	8,108,256
11,005,910	10,833,208
614,883	493,978
1,777,554	1,748,765
<u>166,494,373</u>	<u>155,328,717</u>

Costs and Expenses:

Cost of products sold	
Selling, service, general, and administrative expenses	
Total	

122,195,174	110,367,744
37,430,900	35,734,770
<u>159,626,074</u>	<u>146,102,514</u>

Income before Income Taxes	
Federal and State Income Taxes	

6,868,299	9,226,203
3,405,593	4,124,648
<u>3,462,706</u>	<u>5,101,555</u>

Minority Interests	
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649,314	509,163
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Net Income	
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2,813,392	4,592,392
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Retained Earnings, Beginning of Year	
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62,198,413	42,146,226
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Gain on liquidating dividends on Honolulu Oil Corporation stock, net of income taxes	
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—	16,486,483
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Cash dividends (1962, net of \$2,511,392 previously declared)	
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65,011,805	63,225,101
2,776,351	1,026,688

Retained Earnings, End of Year	
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<u>\$ 62,235,454</u>	<u>\$ 62,198,413</u>
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See notes to financial statements

Notes to Financial Statements

Principles of Consolidation

The consolidated financial statements include all companies in which Castle & Cooke, Inc. or its subsidiaries have majority ownership and whose accounting years end on April 30. These companies are listed on page 17.

Inventories

Inventories at April 30, 1963 consisted of the following:

Finished products and raw materials:	
At the lower of cost (principally average) or market	\$20,376,256
At static unit values (substantially less than cost)	5,946,362
Operating supplies, generally at the lower of average cost or market	14,621,335
Total	<u>\$40,943,953</u>

Deferred Income Taxes

At April 30, 1963 deferred income taxes resulted from:

Reporting of certain sales financed by long-term notes on the instalment basis for tax purposes ..	\$ 1,330,661
Adoption of new depreciation "Guideline" procedures, as set forth by the Treasury Department, for tax purposes	806,210
Deferral of 52% of the \$134,598 investment credit allowable for the year under the Revenue Act of 1962, less amortization for the current year ..	66,904
Total	<u>\$ 2,203,775</u>

Depreciation

Depreciation charged to operations amounted to \$5,010,431 for the year ended April 30, 1963 and \$4,591,800 for the previous year.

Growing Crops

Sugar and pineapple crops are stated at static values which are less than the current cost of the crops.

Commitments and Contingent Liabilities

Estimated unfunded past service and minimum benefit costs of insured employee retirement plans at April 30, 1963 were \$1,184,368. These liabilities are being funded over periods of 10 to 25 years from the effective dates of the plans. The cost

of the formal retirement plans for the year ended April 30, 1963 was \$1,130,677, of which \$1,019,474 was related to current service and \$111,203 was applied to the unfunded commitments. Additional directly financed pension costs for the year amounted to \$191,496. The amount which would be required to fund these pensions is estimated to be \$1,318,975 at April 30, 1963.

Reference is made to sections of this report on Castle & Cooke and Dole operations for commitments for investments in the Philippine Islands, Thailand, and Italy.

At April 30, 1963 the companies were contingently liable in the amounts of \$1,051,874 for guarantees of construction loans on bulk sugar facilities and \$5,462,363 for notes discounted and mortgage loans endorsed.

Long-Term Debt

At April 30, 1963 long-term debt of subsidiary companies, less current maturities, consisted of the following:

Unsecured notes:

3%, annual instalments of \$500,000 until maturity, 1965	\$ 3,000,000
4%, annual instalments of \$275,000 until maturity, 1969	1,650,000
5¼%, annual instalments of \$400,000 until maturity, 1972	3,200,000
6½%, \$50,000 due in 1964 and \$225,000 due in 1965 and 1966	500,000
Notes, contracts, and other long-term payables (leasehold improvements, trucks, and other equipment pledged as collateral)	1,001,991
Total	<u>\$ 9,351,991</u>

Stock Options

Options to purchase 93,267 shares of the Company's capital stock under an employees' restricted stock option plan were outstanding at April 30, 1963, and 4,102 shares of stock were purchased (including 34 shares of treasury stock) in accordance with the plan during the year then ended. The options become exercisable cumulatively over ten-year periods from the dates of the grants.

Retained Earnings Restriction

At April 30, 1963 retained earnings of Dole Corporation amounting to \$22,520,000 were not available for dividends to the parent company due to restrictive provisions of a long-term loan agreement.

Auditors' Report

To the Stockholders
of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its subsidiaries as of April 30, 1963 and the related statement of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of the companies at April 30, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells
Certified Public Accountants

July 5, 1963
Honolulu, Hawaii

Castle & Cooke, Inc.

130 Merchant Street, Honolulu, Hawaii

Directors

A. G. BUDGE, *Chairman*
A. S. ATHERTON
E. E. BLACK
W. M. BUSH
A. L. CASTLE
H. K. L. CASTLE
H. C. CORNUELLE*
MALCOLM MACNAUGHTON
J. H. MIDKIFF
GEORGE G. MONTGOMERY
J. S. B. PRATT III
THOMAS F. SANDOZ
A. D. SCHWANER
FREDERICK SIMPICH, JR.
T. G. SINGLEHURST
A. F. STUBENBERG
R. H. WHEELER
J. H. WORRALL

*Resigned May 1, 1963

Officers

A. G. BUDGE, *Chairman of the Board*
MALCOLM MACNAUGHTON, *President*
W. M. BUSH, *Executive Vice President*
H. K. L. CASTLE, *Vice President*
HENRY B. CLARK, JR., *Vice President, Treasurer*
HOWARD HUBBARD, *Vice President, Controller*
JOHN F. MURPHY, *Vice President, Secretary*
JOHN H. SCOTT, *Vice President, Shipping Operations*
ROBERT S. GORDON, *Assistant Treasurer*
S. P. MCCURDY, *Assistant Treasurer*
J. K. PALK, *Assistant Treasurer*
W. M. HALE, JR., *Assistant Secretary*
R. M. MACFARLANE, *Assistant Secretary*
H. M. RICHARDS, *Assistant Secretary*

Auditor

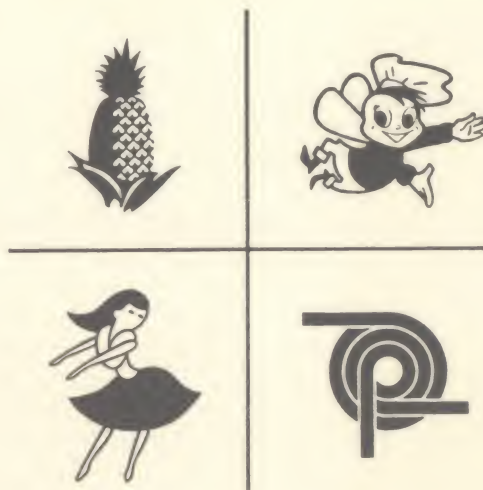
Haskins & Sells, Honolulu

Stock Transfer Agents

Hawaiian Trust Company, Limited, *Honolulu*
Wells Fargo Bank, *San Francisco*

Registrars

Bishop Trust Company, Limited, *Honolulu*
Bank of America, N.T.&S.A., *San Francisco*



These symbols of Castle & Cooke principal subsidiaries are hallmarks of the finest quality in foods and property developments